



House of Representatives

General Assembly

File No. 144

January Session, 2005

Substitute House Bill No. 6830

House of Representatives, April 4, 2005

The Committee on Banks reported through REP. DOYLE of the 28th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT PROTECTING CONSUMERS IN THE MAKING OF INCOME TAX REFUND ANTICIPATION LOANS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 42-480 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2005*):

3 (a) As used in this section:

4 (1) "Borrower" means a person who receives the proceeds of a
5 refund anticipation loan;

6 (2) "Facilitator" means a person who, individually, or in conjunction
7 or cooperation with another person, makes a refund anticipation loan,
8 processes, receives or accepts for delivery an application for a refund
9 anticipation loan, issues a check in payment of refund anticipation loan
10 proceeds, or in any other manner acts to allow the making of a refund
11 anticipation loan. The term does not include a bank, savings and loan
12 association, credit union or person issued a license under the

13 provisions of sections 36a-555 to 36a-573, inclusive, operating under
14 the laws of the United States or this state, or any person who acts
15 solely as an intermediary and does not deal with the public in the
16 making of a refund anticipation loan;

17 (3) "Refund anticipation loan" means a loan arranged to be paid
18 directly from the proceeds of a borrower's income tax refund; and

19 (4) "Refund anticipation loan fee" means any charges, fees or other
20 consideration charged or imposed for the making of a refund
21 anticipation loan. The term does not include any charges, fees or other
22 consideration charged or imposed in the ordinary course of business
23 by a facilitator for services that do not result in the making of a loan
24 including, but not limited to, fees for tax return preparation services or
25 for the electronic filing of income tax returns.

26 (b) At the time a borrower applies for a refund anticipation loan, a
27 facilitator shall disclose to such borrower on a document that is
28 separate from the loan application:

29 (1) The estimated fee for preparing and electronically filing an
30 income tax return;

31 (2) The refund anticipation loan fee schedule;

32 (3) The annual percentage rate utilizing the guidelines established
33 by the official staff interpretations of federal Regulation Z to the Truth
34 in Lending Act, 12 CFR, Part 226;

35 (4) The estimated total cost to the borrower for utilizing a refund
36 anticipation loan;

37 (5) The estimated number of days within which the loan proceeds
38 shall be paid to the borrower if the loan is approved;

39 (6) The borrower is responsible for repayment of the loan and
40 related fees in the event the income tax refund is not paid or not paid
41 in full; and

42 (7) The availability of electronic filing of the income tax return of the
43 borrower and the average time announced by the Internal Revenue
44 Service within which the borrower can expect to receive a refund if the
45 borrower's return is electronically filed and the borrower does not
46 obtain a refund anticipation loan.

47 (c) No refund anticipation loan shall be made at any location other
48 than a location in which the principal business is tax preparation.

49 (d) The interest rate for a refund anticipation loan shall not exceed
50 thirty-six per cent per annum.

51 ~~[(c)]~~ (e) Any facilitator who violates any provision of [subsection (b)
52 of] this section shall be fined five hundred dollars for each such
53 violation. Any facilitator who violates any provision of [said
54 subsection] this section shall be liable to any aggrieved borrower in an
55 amount equal to three times the amount of the refund anticipation loan
56 fee, plus reasonable attorney's fees, in a civil action brought by the
57 aggrieved borrower or by the Attorney General on behalf of the
58 aggrieved borrower.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2005	42-480

BA Joint Favorable Subst.

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note**State Impact:**

Agency Affected	Fund-Effect	FY 06 \$	FY 07 \$
Banking Dept.	BF - Revenue Gain	Potential Minimal	Potential Minimal
Attorney General	GF - None	None	None

Note: BF=Banking Fund; GF=General Fund

Municipal Impact: None**Explanation**

The bill makes certain restrictions on refund anticipation loans and establishes a civil fine of \$500 for violations of its provisions. In FY 04, the Banking Department collected \$455,100 for various violations of banking law. Therefore, the establishment of a penalty in the bill, could result in a minimal revenue gain.

The bill expands the statutory provisions under which the Office of the Attorney General may bring a civil action on behalf of consumers. Any workload increase associated with the bill could be accommodated without requiring additional resources.

OLR Bill Analysis

sHB 6830

***AN ACT PROTECTING CONSUMERS IN THE MAKING OF INCOME
TAX REFUND ANTICIPATION LOANS***

SUMMARY:

This bill (1) requires refund anticipation loans to be made only at locations where tax preparation is the principal business and (2) limits the interest rate on such loans to no more than 36% annually. A refund anticipation loan is a loan that is to be repaid directly from the proceeds of a borrower's income tax refund.

Under the bill, anyone who violates these provisions is subject to a \$500 fine and, in a civil action brought by the borrower or the attorney general on the borrower's behalf, is liable to the borrower for three times the amount of the loan plus reasonable attorney's fees.

EFFECTIVE DATE: October 1, 2005

COMMITTEE ACTION

Banks Committee

Joint Favorable Substitute

Yea 18 Nay 0